

December 4, 2001

D.T.E. 01-100

Investigation by the Department of Telecommunications and Energy on its own motion, pursuant to G.L. c. 164 §§ 76, 94 and 94A, to investigate the appropriateness of the use of Risk-Management Techniques to Mitigate Natural Gas Price Volatility.

REQUEST FOR COMMENTS

On December 4, 2001, the Department of Telecommunications and Energy ("Department") issued an Order opening a Notice of Inquiry into the appropriateness of the use of risk-management techniques to mitigate natural gas price volatility. Risk-Management NOI, D.T.E. 01-100 (2001). A copy of the Order, Risk-Management NOI is on file at the Department's offices, One South Station, Boston, Massachusetts for public view during business hours. Copies are also on file for public view at the Department's website www.state.ma.us/dpu/.

The Department seeks to inquire whether the use of various risk-management tools that could mitigate volatility of natural gas commodity costs may be in the public interest. Accordingly, pursuant to G.L. c. 164, §§ 76 and 94A, the Department seeks comments from interested persons regarding the structure of a potential risk-management protocol for Massachusetts local distribution companies ("LDCs").

Comments in response to the questions as set forth below must be submitted to the Department no later than Monday, January 14, 2002. One original and 15 copies of all comments and responses should be filed with Mary Cottrell, Secretary of the Department. Comments should not exceed 30 pages in length and must be double-spaced. All comment filings must include a table of contents and an executive summary. After consideration of the comments received, the Department will decide whether additional procedures are necessary prior to developing guidelines regarding the use of risk-management techniques to mitigate natural gas price volatility.

All written pleadings or comments must also be submitted to the Department in electronic format using one of the following methods: (1) by e-mail attachment to dte.efiling@state.ma.us; or (2) on a 3.5" floppy diskette, IBM-compatible format. The text of the e-mail or the diskette label must specify: (1) an easily identifiable case caption; (2) docket number; (3) name of the person or company submitting the filing; and (4) a brief descriptive title of document. The electronic filing should also include the name, title and phone number of a person to contact in the event of questions about the filing. Text responses should be written in either Word Perfect (naming the document with a ".wpd" suffix) or in Microsoft Word, (naming the document with a ".doc" suffix). Data or spreadsheet responses

should be compatible with Microsoft Excel. Documents submitted in electronic format will be posted on the Department's Website, www.state.ma.us/dpu/.

The Department requests comments on the following questions:

1. Should Massachusetts gas utilities be allowed or required to implement a risk-management program to mitigate price volatility for gas customers?
2. How will risk-management by LDCs affect gas unbundling and customer choice in Massachusetts?
3. Should gas utilities be limited to specific types of risk-management instruments? If so, what types?
4. Should there be a percentage volume of gas that LDCs would be allowed to hedge?
5. What should the core objectives of a hedging program be (e.g., least cost, price stability)?
6. How will the Department assess risk-management programs? What benchmarks should be used to measure a risk-management program's performance?
7. What standard of review should the Department apply to the utilities' initial risk-management program?
8. What types of costs are associated with risk-management? Should LDCs be allowed to recover these costs? If so, please explain how.
9. Should an incentive mechanism be used in conjunction with a risk-management program? If so, please explain how this mechanism should be structured.

Any person desiring further information regarding this notice should contact William H. Stevens, Jr., Hearing Officer, Department of Telecommunications and Energy, at (617) 305-3620.

By Order of the Department,

Mary L. Cottrell, Secretary